



Department of Justice

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JUSTICE DEPARTMENT APPROVES PROPOSAL BY THE POLLOCK CONSERVATION COOPERATIVE

WASHINGTON, D.C. -- The Department of Justice today announced that it would not challenge a proposal by the Pollock Conservation Cooperative (PCC) that would allow its members to allocate among themselves the amount of fish, specifically, Alaskan Pollock, awarded to them as a group by the federal government.

The Department's Antitrust Division said that the proposal would not substantially lessen competition in the Alaskan Pollock fishing and processing markets. The Department's position was stated in a business review letter from Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division, to the Pollock Conservation Cooperative.

The members of PCC are fishing companies that harvest, process, and market their fishery products. They own or operate under bareboat charter all of the eligible catcher/processor boats named in the American Fisheries Act (AFA).

Under a conservation policy administered by the Department of Commerce, the federal government has established annual harvest quotas that limit the amount of certain species of fish that may be harvested from U.S. waters in a given year. The regulatory program has issued an annual harvest quota for Alaskan Pollock caught in the Bering Sea/Aleutian Islands waters, and has agreed to divide that quota between three groups.

Effective January 1, 1999, the AFA will allocate 10 percent of the total annual harvest

quota to Community Development Quota Groups. The remaining 90 percent will be divided as follows: 10 percent will go to the mothership processors—ships that have on-board processing capabilities but do not catch the fish; 40 percent will go to the catcher/processors or C/P's—vessels that catch and process their own fish on-board; and 50 percent will go to on-shore processing plants that are supplied by catcher vessels. Prior to the AFA, the allocation was 65 percent offshore and 35 percent onshore. Entry into the Alaskan Pollock fishery is limited, however licenses issued to qualifying vessels prior to the qualifying date are transferable.

Under the regulatory plan, the annual harvest quota for Alaskan Pollock awarded to a group of catchers and/or processors may be individually harvested by each licensed participant. This is referred to as an “olympic” system because it provides each individual processor with the incentive to harvest as much as possible of that group's total allotment. Any amount not harvested by one member of the group will be lost to other members of the group.

According to the members of PCC, their proposal to re-allocate the quota for catcher/processors among all the licensed participants will allow them to avoid the inefficiencies encouraged by the “olympic” system. By removing the urgency from their harvesting, the members of PCC believe they will be able to increase the efficiency of their on-vessel processing by at least 26 percent, and reduce the amount of incidental by-catch of other fish species that the Government seeks to protect.

The proposed agreement affects only harvesting activity by allocating the fixed annual catcher-processor quota among all the members of that group. The proposed collective activity does not

extend to processing, marketing or sales of any of the members' production, nor does it extend to their purchases of fish from others. In addition, the agreement provides that all

purchases of quota from catcher vessels be conducted by Cooperative Members on an individual, fully competitive basis, and not through the Cooperative.

Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division, indicated that it does not appear that the proposed elimination of the olympic system race would have any incremental anticompetitive effect in the regulated output setting in which the harvesting agreement would take place. In fact, he noted that the Department of Justice had previously concluded that reliance on an olympic race system to gather a fixed quota of fish 'is both inefficient and wasteful' because it is likely to generate 'inefficient overinvestment in fishing and processing capacity'.

Alaskan Pollock is used to produce a number of different products. Historically, the largest volume product has been "surimi", a protein paste made by repeatedly macerating and washing the flesh of the fish to remove all water soluble fats and other impurities, and then blending in certain compounds such as sorbitol. Pollock is also used to produce fillet products of two types: "deep skinned", which is a fillet with both the outer skin and the immediately adjacent fat layer removed, and the standard fillet, which has only the outer skin removed.

In 1997, approximately 4 million metric tons of Alaskan Pollock was harvested on a worldwide basis. U.S. Alaskan Pollock is primarily distributed into the Southeast Asian market (the vast majority as surimi), and secondarily distributed into the U.S., half fillets and half surimi. Russian Alaskan Pollock is primarily distributed into Russia and Asia with a relatively small amount being distributed into the U.S.

as fillets. Chinese, Japanese and Polish Alaskan Pollock is primarily distributed into the Asian market, secondarily into Europe, and includes a relatively small amount of fillets for U.S. consumption.

Under the Department's Review Procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Antitrust Documents Group of the Antitrust Division, Suite 215, Liberty Place, 325 7th Street, N.W., Department of Justice, Washington, D.C. 20004. After 30-day period, the documents supporting the business review will be added to the file.

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